IN THE

Supreme Court of the United States

October Term, 1946

No._____

SPOKANE PORTLAND CEMENT COMPANY, a corporation, and JOHN T. RAFTIS and CHARLES E. BENNETT, Executors of the Estate of W. N. BENNETT, deceased, *Petitioners*,

vs.

CHESTER W. SWANSON, GUY E. SWANSON, HAROLD M. SWANSON, DONALD C. SWANSON, GLENN G. SWANSON, MILDRED IRENE SODERBERG, ALICE M. SWANSON, as executrix of the estate of M. G. SWANSON, deceased, and ELLA PRICE, individually and as administratrix of the estate of HOWARD G. PRICE, deceased, *Respondents*.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE NINTH CIRCUIT and BRIEF IN SUPPORT THEREOF

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INDEX TO PETITION

	Page
Statement of Matter Involved	3
Statement as to Jurisdiction	5
Question Presented	6
Reasons relied on for Allowance of Writ	6
Certificate of Counsel	8

PETITION FOR WRIT OF CERTIORARI

To the Honorable the Supreme Court of the United States:

Petitioners Spokane Portland Cement Company, a corporation, and John T. Raftis and Charles E. Bennet, executors of the Estate of W. N. Bennett, deceased, pray that this cause be certified to the Supreme Court for determination by it. The decision sought to be reviewed is reported in the transcript (R. 168) and, under the name of *Swanson et al.* v. *United States et al.*, in 156 F. 2d 442.

STATEMENT OF THE MATTER INVOLVED

The holders of a mortgage on 3,000 acres of land in the State of Washington instituted an action in the Superior Court of Stevens County, Washington, to foreclose the mortgage, resulting in a sheriff's sale for the full amount of the debt. (R. 67, 68).

About seven months after the sheriff's sale, the United States, upon application of the Reconstruction Finance Corporation, filed a petition in the District Court of the United States for the Eastern District of Washington, Northern Division, to condemn 340 acres (R. 32) of the property struck off at the sheriff's sale, to provide facilities for the production of magnesium and ferrosilicon, depositing in the registry of the court the sum of $10,736.50, estimated by Reconstruction Finance Corporation as just compensation for the property taken. (R. 3, 9).

The statutes of the State of Washington grant the judgment debtor and certain others, called redemptioners, one year after sheriff's sale within which to redeem. In the present instance, no redemption was made. (R. 69). The purchasers at the sale had assigned the sheriff's certificate to W. N. Bennett, and he had assigned it as to certain of the land, including part of the condemned portion, to petitioner Spokane Portland Cement Company. (R. 68). At the expiration of the statutory year, no redemption having occurred, the sheriff executed deeds to the executors of the estate of W. N. Bennett, then deceased, and Spo-

kane Portland Cement Company, petitioners herein, for the tracts embraced within their respective assignments. (R. 77.)

Afterward the jury in the condemnation suit fixed the just compensation for the land taken at $31,230.00 (R. 99, 105) and the United States paid into the registry of the court the difference between that amount and the sum of $10,736.50 previously paid, plus interest on the difference from the date of taking.

The District Court ordered the full amount of the award, except $35.00 awarded Julius Pohle and Janie E. Pohle for a small tract, paid to Spokane Portland Cement Company and the Bennett estate, grantees in the sheriff's deeds, and Richard C. Parnell and Thelma S. Parnell, to whose rights the Cement Company and the Bennett estate later succeeded. (R. 108-111; 141-146.)

On appeal, the mortgagors, though they had not redeemed, were decreed entitled to so much of the award as might remain after applying upon the mortgage debt, first, the value of the land not condemned, to be determined by evidence, and second, so much of the award as might be necessary to supply any deficiency. (Opinion, R. 168-187; Decree, R. 188.)

STATEMENT AS TO JURISDICTION

It is contended that the court has jurisdiction to review the decree in question under Sec. 240 (a) of

the Judicial Code, 28 U.S.C.A., Sec. 347. The date of the decree is June 26, 1946. (R. 189)

QUESTION PRESENTED

The question presented is whether judgment debtors who do not redeem from a mortgage foreclosure sale within the statutory year may claim any part of the sum awarded in a condemnation suit instituted after sale.

REASONS RELIED ON FOR ALLOWANCE OF THE WRIT

The reasons for granting the writ are:

(a) The Circuit Court of Appeals has rendered a decision in conflict with the decision of the Circuit Court of Appeals for the Second Circuit, in *United States* v. *Lands in Hempstead, Nassau County, New York, et al.*, 129 F. 2d 918, where, after failure to redeem from a tax sale, it is said:

> "Since the award takes the place of the land, it is reasonable to require the owner to redeem in order to obtain the award, just as he would have to do to recover the land, had condemnation not intervened. If the rule were otherwise the inequitable result would be that the former owner could reserve his privilege to redeem until he learned whether the award would be greater or less than the sum required to exercise the privilege."

(b) The Circuit Court of Appeals has decided an important question of local law in a way in conflict

with applicable local decisions—in general, those decisions holding that the right of redemption is statutory and exclusive, and, in particular, those decisions holding that where land is taken in condemnation, after a mortgage foreclosure sale but before expiration of the statutory time for redemption, no redemption occurring, the recipient of the sheriff's deed is entitled to the award.

(c) The Circuit Court of Appeals has decided an important question of federal law which has not been, but should be, settled by the Supreme Court—the meaning, as applied to state foreclosures, of the last sentence of Section 1 of the Act of February 26, 1931, c. 307, 46 Stat. 1421, 40 U.S.C.A., Sec. 258a, granting the power to make such orders in respect of encumbrances, liens, rents, taxes, assessments, insurance and other charges, as shall be just and equitable.

Respectfully submitted,

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Of Counsel for Petitioners.

I, Laurence R. Hamblen, of Spokane, Washington, counsel for petitioners, hereby certify that the foregoing petition is well founded and not interposed for delay.

LAURENCE R. HAMBLEN.

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BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

SUBJECT INDEX

Page

Table of Cases and Statutes 11
Opinions Delivered in the Courts Below 12
Jurisdictional Grounds 12
Statement of the Case 13
Specification of Error 13
Summary of Argument 14
Argument 14
Conclusion 20

TABLE OF CASES AND STATUTES

Cases

Page

Commercial National Bank v. Johnson, 16 Wash. 536, 48 Pac. 267 17

Damon v. Ryan, 74 Wash. 138, 132 Pac. 871 17

In re Faber (D.C., W.D. Wash., N.D.) 11 F. Supp. 555 16

In re Fourth Avenue South, 18 Wn. (2d) 167, 138 P. (2d) 667 17

Schmidt v. Worley, 134 Wash. 582 236 Pac. 111 16

United States v. Bennett et al, (D. C., E. Dist., Wash., N. D.) 57 F. Supp. 670 12

United States v. Lands in Hempstead, Nassau County, New York, et al ., (C.C.A. 2) 129 F. 2d 918 17

Swanson et al v. United States et al., (C.C.A. 9) 156 F. 2d 442 ..... 12, 18

Weber v. Wells et al., (C.C.A. 9) 154 F. 2d 1004 17

Statutes

Judicial Code, Sec. 240, 28 U.S.C.A., Sec. 347 12

Act of Feb. 26, 1931, c. 307, 46 Stat. 1421, 40 U.S.C.A., Sec. 258a 14, 17, 18

Remington's Revised Statutes of Washington, 1932, Secs. 582, 583, 590, 591, 595, 603 15-16

Remington's Revised Statutes of Washington, 1932, Secs. 1116, 1118, 1121 14-15

OPINIONS DELIVERED IN THE COURTS BELOW

The opinion of the United States District Court for the Eastern District of Washington, Northern Division, Hon. Lewis B. Schwellenbach, District Judge, is reported under the name of *United States* v. *Bennett et al.*, at 57 F. Supp. 670; and the opinion of the United States Circuit Court of Appeals for the Ninth Circuit under the name of *Swanson et al.* v. *United States et al.*, at 156 Fed. 2d 442.

JURISDICTIONAL GROUNDS

The jurisdiction of the Supreme Court is invoked under Section 240 of the Judicial Code, 28 U.S.C.A. Sec. 347, upon the grounds, more fully stated in the foregoing petition, that

(a) The Circuit Court of Appeals has rendered a decision in conflict with the decision of the Circuit Court of Appeals for the Second Circuit;

(b) The Circuit Court of Appeals has decided an important question of local law in a way in conflict with applicable local decisions;

(c) The Circuit Court of Appeals has decided an important question of federal law which has not been, but should be, settled by the Supreme Court.

STATEMENT OF THE CASE

As more particularly stated in the petition, petitioners' predecessors foreclosed a mortgage on real estate, and purchased the mortgaged property at a judicial sale for the full amount of the mortgage debt. The state statute allowed the mortgagors one year after sale within which to redeem. They did not redeem. During the year, the United States condemned a portion of the land, depositing in the registry of the court the estimated just compensation. After the expiration of the year, the jury fixed the just compensation at a larger amount, and the United States deposited the balance. The District Court awarded the full sum to petitioners and their predecessors in interest. The Circuit Court of Appeals reversed, directing that the remaining, or non-condemned land, be appraised, that the appraised value thereof be credited upon the mortgage debt, that so much of the condemnation fund as might be necessary to make up the deficiency be applied upon the mortgage debt, and that the balance of the fund, if any, be paid to the mortgagors. The writ is directed against this determination.

SPECIFICATION OF ERROR

Petitioners assign as error the determination of the Circuit Court of Appeals that respondents, they not having redeemed, have an interest in the land purchased at the foreclosure sale, or in the fund de-

posited in the registry of the court on the subsequent condemnation of a portion of the land, which survived their failure to redeem.

SUMMARY OF ARGUMENT

1. In general, under the laws of Washington, the mortgagor's rights in the land cease unless he redeems within one year from the foreclosure sale.

2. Specifically, on the taking of land by condemnation during the redemption period the purchaser at the foreclosure sale is entitled to the award.

3. The last sentence of Section 1 of the Act of February 26, 1931, c. 307, 46 Stat. 1421, 40 U.S.C.A., Sec. 258a, empowering the court to make such orders in respect of encumbrances, liens, rents, taxes, assessments, insurance, and other charges, if any, as shall be just and equitable, does not empower it to award the condemnation money to a mortgagor whose obligation had been extinguished at a foreclosure sale prior to institution of the proceedings to condemn, and whose only remaining right is a right to redeem.

ARGUMENT

I.

Remington's Revised Statutes of Washington, 1932, provide for the foreclosure of mortgages on real estate as follows:

> Sec. 1116. "When default is made in the performance of any condition contained in a mort-

gage, the mortgagee or his assigns may proceed in the Superior Court of the county where the land, or some part thereof, lies, to foreclose the equity of redemption contained in the mortgage."

Sec. 1118. "In rendering judgment of foreclosure, the court shall order the mortgaged premises, or so much thereof as may be necessary, to be sold to satisfy the mortgage and costs of the action. The payment of the mortgage debt, with interest and costs, at any time before sale, shall satisfy the judgment."

Sec. 1121. "A decree of foreclosure of mortgage or other lien may be enforced by execution as an ordinary judgment or decree for the payment of money. The execution shall contain a description of the property described in the decree. The sheriff shall indorse upon the execution the time when he receives it, and he shall thereupon forthwith proceed to sell such property, or so much thereof as may be necessary to satisfy the judgment, interest and costs upon giving the notice prescribed in section 582."

Sec. 582 provides for notice of sale by posting and publication. Sec. 583 prescribes that the sale shall be by auction at the courthouse door. Sec. 590 provides for the sheriff's return and Sec. 591 for confirmation.

Sec. 595 provides: "The judgment debtor or his successor in interest, or any redemptioner, may redeem the property at any time within one year after the sale, on paying the amount of the bid, with interest thereon at the rate of eight per cent per annum to the time of redemption, together with the amount of any assessment or taxes which the purchaser or his successor in interest may have paid thereon after purchase, and like interest on such amount. . ."

> Sec. 603 provides as follows for the sheriff's deed: "In all cases where real estate has been, or may hereafter be sold in pursuance of law by virtue of an execution or other process, issued upon an ordinary money judgment, or by virtue of an execution or other process, issued upon a decree for the foreclosure of a mortgage or other lien it shall be the duty of the sheriff or other officer making such sale to execute and deliver to the purchaser, or other persons entitled to the same a deed of conveyance of the real estate so sold immediately after the time for redemption from such sale has expired: Provided, such sale has been duly confirmed by order of the court."

It was by this procedure that the mortgage in the present instance was foreclosed, there being no other method.

The right to redeem from the execution sale is a statutory right which must be exercised within the prescribed time. See *Schmidt* v. *Worley,* 134 Wash. 582, 236 Pac. 111; *In re Faber,* (D.C., W. D. Wash., N.D.) 11 F. Supp. 555, 558. If there might be circumstances in which the right of redemption would be extended, as is suggested in *Schmidt* v. *Worley,* just cited, it would seem indubitable that such extension could be obtained only by direct attack in the foreclosure court. Moreover, in the present case, respondents have not offered, and do not now offer, to redeem.

On general principle alone, under local law, the rights of respondents in the land, and in the avails of the land, ceased upon their failure to redeem from the execution sale within the year allowed by law for redemption.

II.

Moreover, as a particular rule, it is the settled law in Washington, that where land is taken by condemnation, after mortgage foreclosure sale and before the statutory time for redemption has expired, there being no subsequent redemption, the holder of the sheriff's certificate of sale at the time of taking is entitled to the award. *Commercial National Bank* v. *Johnson,* 16 Wash. 536, 48 Pac. 267; *Damon* v. *Ryan,* 74 Wash. 138, 132 Pac. 871; *In re Fourth Avenue South,* 18 Wn. (2d) 167, 138 P. (2d) 667.

These Washington decisions would seem to compel award of the condemnation fund to petitioners.

The theory of the Washington cases is supported by *United States* v. *Certain Lands in Town of Hempstead, Nassau County, N. Y. et al.,* (C.C.A.2) 129 F. 2d 918 where land had been sold for taxes prior to condemnation. To be distinguished is *Weber v. Wells et al.,* (C.C.A. 9) 154 F. 2d 1004 where the California tax sale was held to be "merely a book transaction to facilitate the adjustment of accounts between the tax collector and the auditor."

III.

The last sentence of Section 1 of the Act of February 26, 1931, c. 307, 46 Stat. 1421, 40 U.S.C.A., Sec. 258a, only provides "The court shall have power to make such orders in respect of encumbrances, liens,

rents, taxes, assessments, insurance and other charges, if any, as shall be just and equitable."

No right of either petitioners or respondents, we submit, came within any of these categories. The mortgage had been paid by the bid for the full amount. Respondents had no right but the right to redeem from the sale within one year.

Moreover, the result which would follow the decision under review, we urge with deference, is not just and equitable. It, in effect, would annul the foreclosure sale, and substitute for the public bid, on which petitioners' predecessors acquired the land, the speculations of expert witnesses.

The opinion of the Circuit Court of Appeals suggests, and the decision seems necessarily bottomed upon the suggestion, that the condemnation proceedings interfered with the process of redemption. (R. 185; *Swanson et al* v. *United States et al.,* 156 F. 2d 442, 450.) We urge the contrary. The award simply took the place of the land. Had respondents sought to redeem, the estimated just compensation would have been available in the registry of the court to apply upon the redemption, facilitating, not hindering, the exercise of the right of redemption. "Upon the application of the parties in interest, the court may order that the money deposited in the court, or any part thereof, be paid forthwith for or on account of the just compensation to be awarded in said proceeding." Act of February 26, 1931, c. 307, 46 Stat. 1421, 40 U.S.C.A., Sec. 258a.

Truly, during the running of the statutory year, it was not known whether, or in what amount, the jury would increase, or even decrease, the award. This uncertainty, however, did not place respondents in a peculiarly difficult quandary. One having the right to redeem, and weighing the advisability of exercising his right, may be obliged to consider a variety of factors—whether prices are going up or down, whether the railroad is coming his way, what the future of a particular industry may be. Respondents' problem was not different in principle from that of others pondering the question of redemption.

The power of the court to make such orders as might be just and equitable does not support the decree under review.

CONCLUSION

In Washington, a mortgagor's rights in land cease at the expiration of the year for redemption, if he do not redeem. So, also, his rights to an award in a suit for condemnation of the land, initiated after the sheriff's sale. The supervisory power of the court does not authorize it to disturb, by reason of the condemnation alone, the conditional finality of the foreclosure sale.

Respectfully submitted,

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